Chapter 10:
Performance Management

THIRD EDITION

HUMAN RESOURCES
IN HEALTHCARE
Managing for Success

Part Two | Training & Development

Bruce J. Fried

Second Function: Training & Development

OD and Training   **Performance Management & Appraisal**

Learning Outcomes

After completing this chapter, you should be able to:

- Define performance management, and describe the key components of a performance management system.

- Identify the characteristics of good rating criteria for performance appraisal.

- Identify rating errors as sources of distortion in performance appraisal.

- Conduct a performance appraisal interview with subordinates.

Introduction

The ultimate goal of Human Resources Management (HRM), which includes selection, compensation, supervision, and training, is to foster high levels of **performance** *from individuals and teams*

"You can't manage what you can't measure"

Performance Management and Appraisal

Performance Appraisal	Performance Management
Setting work standards, assessing performance, and providing feedback to employees to motivate, correct, and continue their performance.	An integrated approach to ensuring that an employee's performance supports and contributes to the organization's strategic aims.

Q. Compare & Contrast Performance Management and Performance Appraisal

	Performance Management	Performance Appraisal
1. Definition (what)		
2. Aim (why)		
3. Timing (when)		
4. Steps (how)		
5. Outcome		

Performance Management and Appraisal

➢ *Performance management (what?)*

– is a set of tools and practices that comprises:

1. Setting performance goals with employees
2. Ongoing coaching and support by supervisors
3. Monitoring employee progress toward achieving goals (measuring individual performance)
4. Designing strategies with employees to make and sustain improvement
5. Rewarding

Performance Management and Appraisal

➢ *Performance appraisal (what?)*

 – the process to measurement, which is a necessary but an insufficient part of performance management

Performance Management and Appraisal

Performance Appraisal (why?)

1 → **Is basis for pay and promotion decisions.**

2 → **Plays an integral role in performance management.**

3 → **Helps in correcting deficiencies and reinforcing good performance.**

4 → **Is useful in career planning.**
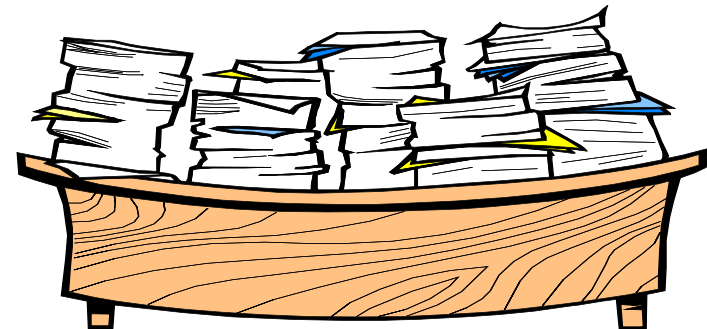
Performance Management and Appraisal

Performance Management (why?)

1. → The popularity of the total quality management (TQM) concepts.

2. → The belief that traditional performance appraisals are often not just useless but counterproductive.

3. → Helping the company to achieve its strategic goals.
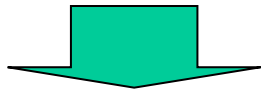
Performance Management and Appraisal

➢ *Performance appraisal (when?)*

  – Once or twice per year to review performance.

➢ *Performance management (when?)*

  – Daily or weekly interactions to ensure continuous improvement in the employee's capacity and performance.
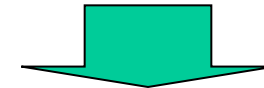
Performance Management and Appraisal

Performance Appraisal (How?)

1. *Defining the job*
2. *Appraising performance*
3. *Providing feedback*

Performance Management (How?)

1. *Goal Setting*
2. *Coaching & Support*
3. *Performance Appraisal*
4. *Continuous Improvement*
5. *Rewarding*

Performance Management (How?)

1. *Setting performance goals and monitoring employee progress toward the goals*

2. *Providing continual coaching, training, and support as necessary*

3. *Conducting annual performance appraisal against goals*

4. *Establishing a development plan for next year*

5. *Rewarding*

Performance Management and Appraisal

- ➢ *Performance appraisal outcome*
  - Employees' performance improvement.

- ➢ *Performance management outcome*
  - Employees' performance is towards the company's strategy.

Annual / Periodic Performance Review

➢ *The annual or periodic performance review is only one part of the performance management process, but it is an important part that requires attention.*

Establishing Appraisal Criteria

1. Criteria should have strategic relevance to the whole organization (*patient satisfaction*)

2. *Criteria should be comprehensive (number and quality of home visits)*

3. *Criteria should be free from contamination (factors that are out of the employee's control)*

➤ *Criteria should be valid and reliable (validity is the extent to which appraisal criteria actually measure the performance dimension of interest)*

Collecting Job Performance Data
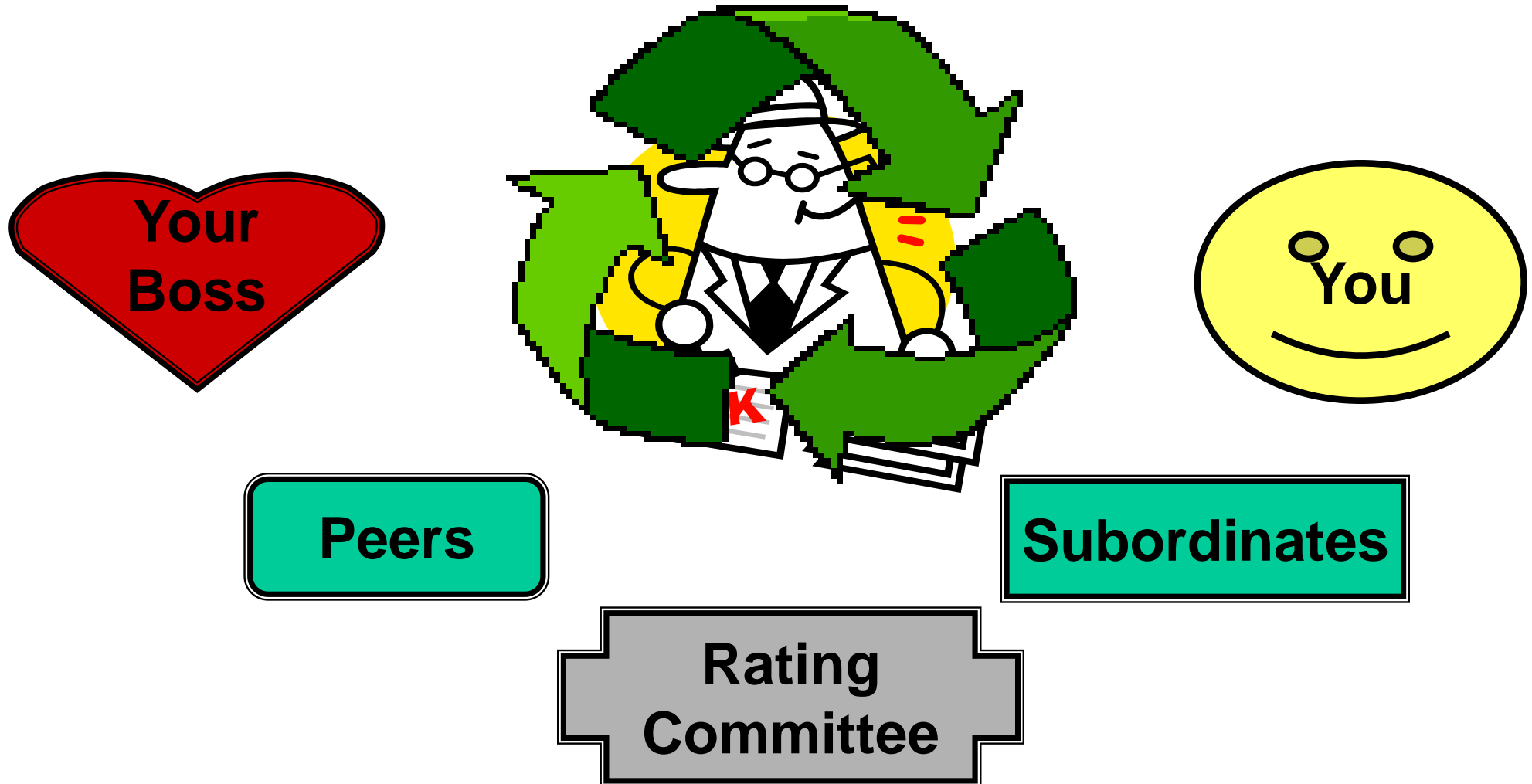
Pros & Cons of multisource appraisal

- ➢ Emphasis on aspects of performance valued by the organization
- ➢ Explicit recognition of the importance of customer focus
- ➢ Consistency with team development initiatives
- ➢ Contributor to employee involvement and development
- ➢ Minimal bias, as it includes multiple perspectives

- ➢ Sources of feedback must have a level of trust.
- ➢ Employees must be assured of anonymity.
- ➢ Employees may use the appraisal for the purpose of revenge.
- ➢ The information obtained may be difficult to integrate.
- ➢ The method of feedback (appraisal interview) must be done by a trained individual in a manner that encourages insight and growth.

What to measure in the Performance Appraisal?

- ➢ *1. Individual traits*
- ➢ *2. Behaviors*
- ➢ *3. Results or outcome*

Performance Appraisal Methods

Appraisal Methodologies

1 → Graphic rating scale (GRS)

2 → Alternation ranking

3 → Forced distribution

4 → Critical incident

5 → Behaviorally anchored rating scales (BARS)

6 → Behavioral Observation Scale (BOS)

7 → Management by objectives (MBO)

8 → Merged methods

1. Graphic Rating Scale (GRS)

➢ *Definition*

- A scale that measures traits or behaviors through a range of points that indicate different levels of performance

➢ *Pros:*

- Easy to construct
- Commonly used (suits all types of employees)
- Quantitative (end-up with numbers or percent)

➢ *Cons:*

- Non – Comparative (per individual)
- Subjective (lacks standards)
- General (not specific and not weighted)

1. GRS

FIGURE 10.1

Example of a Graphic Rating Scale

Please answer the following questions about this employee.

Question	Scale
1. Rate this person's pace of work.	1 2 3 4 5 6 slow fast
2. Assess this person's level of effort.	1 2 3 4 5 6 below full capacity capacity
3. What is the quality of this person's work?	1 2 3 4 5 6 poor good
4. How flexible is this person?	1 2 3 4 5 6 rigid flexible
5. How open is this person to new ideas?	1 2 3 4 5 6 closed open
6. How much supervision does this person need?	1 2 3 4 5 6 a lot a little
7. How readily does this person offer to help out by doing work outside his or her normal scope of work?	1 2 3 4 5 6 seldom often
8. How well does this person get along with peers?	1 2 3 4 5 6 not very well well

2. Ranking

➢ *Definition*

– Managers rank employees from best to worst on some overall measure of employee performance

– Uses; making personnel decisions (e.g., promotions, layoffs)

➢ *Pros*

– Comparative

➢ *Cons*

– Focuses only on a single dimension of work effectiveness

– Unsuitable for large numbers of employees

– Not useful in helping employees improve

2. Ranking

ALTERNATION RANKING SCALE

For the Trait: _____

For the trait you are measuring, list all the employees you want to rank. Put the highest-ranking employee's name on line 1. Put the lowest-ranking employee's name on line 20. Then list the next highest ranking on line 2, the next lowest ranking on line 19, and so on. Continue until all names are on the scale.

Highest-ranking employee

1. _____   11. _____
2. _____   12. _____
3. _____   13. _____
4. _____   14. _____
5. _____   15. _____
6. _____   16. _____
7. _____   17. _____
8. _____   18. _____
9. _____   19. _____
10. _____   20. _____

Lowest-ranking employee

3. Forced Distribution

➢ *Definition*

– Managers are instructed to force evaluations of employee performance into a particular distribution "on a curve"

➢ *Pros*
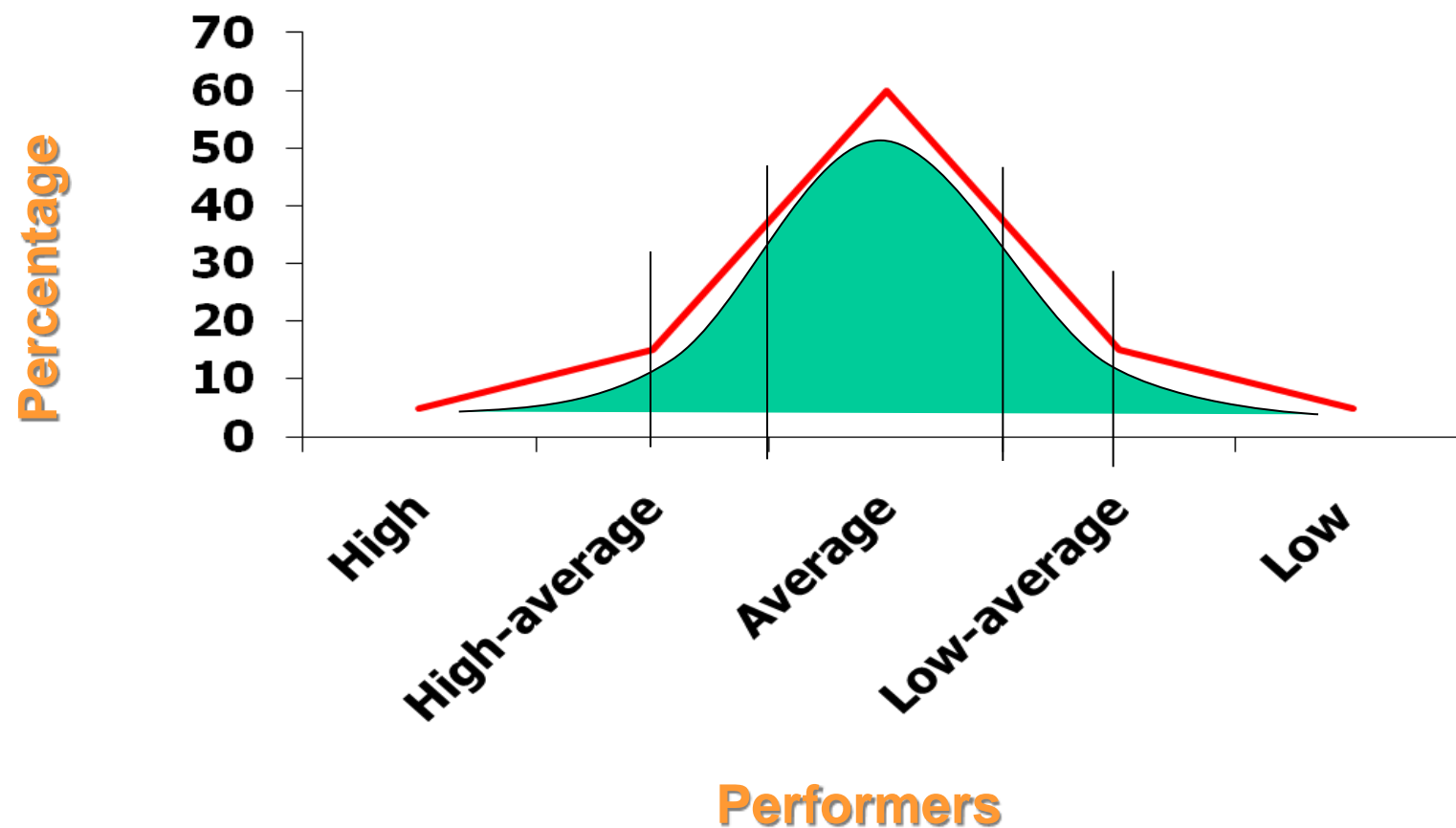
– Comparative

– Ensure that lenient managers don't inflate appraisals

– limit bonuses and other financial payouts

➢ *Cons*

– Inequity and doubt

– Lawsuits and legality (layoffs)

– limited use in healthcare and in small departments

3. Forced Distribution

4. Critical Incident

➢ *Definition*

– Managers keep a record of unusually favorable or unfavorable occurrences in an employee's work

➢ *Pros*

– Factual record of an employee's performance
– Useful in subsequent discussions with the employee

➢ *Cons*

– Unfavorable occurrences are more recorded
– Non – quantitative
– Non – comparative

5. Behavioral Anchored Rating Scale (BARS)

➢ *Definition*

- – A scheme that provides specific behavioral descriptions of the different levels of employee performance

➢ *Pros*

- – Job dimensions are clearly defined
- – Easy to explain the reason behind the ratings
- – Improves a manager's ability to identify areas for training and development

➢ *Cons*

- – Amount of time, effort and expense involved in its development

5. BARS

Task Dimension	Scale	Definition
Leadership	4	Identifies alternative methods that enhance productivity and quality and that eliminate unnecessary steps
	3	Takes the initiative to bring attention to productivity problems
	2	Has difficulty with change and with providing support for the required change
	1	Uses inappropriate interpersonal skills, and creates unproductive working relationships
Communication	4	Communicates openly, completely, and straightforwardly with management, peers, and coworkers
	3	Listens and seeks intent of communication
	2	Has difficulty with expressing decisions, plans, and actions
	1	Is unable to communicate accurately with team members

TABLE 10.2

Behavioral Anchored Rating Scale for a Clinical Trials Coordinator

6. Behavioral Observation Scale (BOS)

➢ *Definition*

- A system that asks the rater to indicate the frequency with which the employee exhibits specified highly desirable behaviors

➢ *Pros*

- Specific and accurate (desirable behaviors are identified through job analysis and discussions with managers and supervisors)

➢ *Cons*

- Amount of time, effort and expense involved in its development

6. BOS

FIGURE 10.2

Behavioral Observation Scale for a Patient Relations Representative

	Almost Never				Almost Always
1. Responds to patient or family concerns within 24 hours	1	2	3	4	5
2. Conducts investigations into complaints effectively	1	2	3	4	5
3. Communicates results of investigations to relevant parties	1	2	3	4	5
4. Follows up with patient or family after investigation	1	2	3	4	5
5. Identifies and analyzes both immediate and distant causes of patient complaints	1	2	3	4	5
6. Makes useful and practical recommendations for improvement based on results of investigation	1	2	3	4	5

7. Management by Objectives (MBO)

➢ *Definition*

– Involves setting specific measurable goals with each employee and then periodically reviewing the progress made

➢ *Steps*

– (1) the organization defines its strategic goals for the year
– (2) these goals are then communicated throughout the organization
– (3) each employee in turn defines his or her goals for the year based on the organizational goals
– (4) Achievement of these goals becomes the standard by which each employee's performance is assessed

7. Management by Objectives (MBO)

➢ *Pros*

  – It establishes specific and objectively measurable goals for employees.
  – It establishes goals in collaboration with employees.
  – It allows managers to provide objective feedback and coaching to improve employee performance.

➢ *Cons*

  – Time consuming
  – Unclear objectives (not SMART)

➢ *Uses*

  – Commonly used for senior executives

7. MBO

SECTION I   **Success and Effectiveness in Responsibilities/Objectives and Performance Standards in Support of Departmental Goals**

Primary Performance Expectations: Responsibilities/Objectives and Standards	Mid-Year Progress Notes	End of Period Rating of Success and Effectiveness Comment and Place X on Scale to Rate
		Not Strong Strong Very
Objective 1:		├──┼──┼──┼──┤
Objective 2:		├──┼──┼──┼──┤
Objective 3:		├──┼──┼──┼──┤
Objective 4:		├──┼──┼──┼──┤
Objective 5:		├──┼──┼──┼──┤

Objectives for new rating period reviewed and agreed to: Mid-Year Review:

Evaluator	Date	Employee	Date	Evaluator	Date	Employee	Date

TABLE :   Advantages and Disadvantages of Appraisal Tools

Tool	Advantages	Disadvantages
Graphic rating scale	Simple to use; provides a quantitative rating for each employee.	Standards may be unclear; halo effect, central tendency, leniency, bias can also be problems.
BARS	Provides behavioral "anchors." BARS is very accurate.	Difficult to develop.
Alternation ranking	Simple to use (but not as simple as graphic rating scales). Avoids central tendency and other problems of rating scales.	Can cause disagreements among employees and may be unfair if all employees are, in fact, excellent.
Forced distribution method	End up with a predetermined number or % of people in each group.	Employees' appraisal results depend on your choice of cutoff points.
Critical incident method	Helps specify what is "right" and "wrong" about the employee's performance; forces supervisor to evaluate subordinates on an ongoing basis.	Difficult to rate or rank employees relative to one another.
MBO	Tied to jointly agreed-upon performance objectives.	Time-consuming.

Un-truthful Appraisal

TABLE 10.3

Reasons Managers Inflate or Deflate a Performance Appraisal

Reasons to Inflate	Reasons to Deflate
Maximize merit increases for an employee, particularly when the merit ceiling is considered low	Shock an employee back on to a higher performance track
Avoid hanging dirty laundry out in public if the appraisal information is viewed by outsiders	Teach a rebellious employee a lesson
Avoid creating a written record of poor performance that would become a permanent part of the individual's personnel file	Send a message to an employee that he or she should think about leaving the organization
Avoid confrontation with an employee with whom the manager recently had difficulties	Build a strongly documented record of poor performance that may speed up the termination process
Give a break to a subordinate who had shown improvements	
Promote an undesirable employee "up and out" of the organization	

SOURCE: Adapted from Longenecker, Sims, and Gioia (1987)

Rating Errors

➢ *Distortions in performance appraisal ratings - whether positive or negative- that reduce the accuracy of appraisals. The most common rating errors are as follows:*

1. Distributional (lenient, strict and central)
2. Halo and horn effect
3. Personal bias
4. Similar-to-me bias
5. Contrast effect
6. Recency

Rating Errors (1/3)

1. Distributional – raters to use only a small part of the rating scale:

A. Lenient: some raters tend to be overly generous with giving positive ratings.

B. Strict: some raters tend to be overly critical of performance.

C. Central tendency: some raters tend to rate every employee as average and, as such, can avoid conflict and confrontation.

Rating Errors (2/3)

2. Halo or Horn effect:

- Some raters rate employees high (or low) on all evaluation criteria, without distinguishing between different aspects of the employee's work.
- This leads to evaluations that may be overly generous (Halo) or overly critical (Horn).

3. Personal bias:

- Some raters' tend to rate employees higher or lower than is deserved because of the rater's personal like or dislike of the employee.

Rating Errors (3/3)

4. Similar-to-me bias:

– Some raters tend to judge those who are similar to them more highly than they would those who are not like them

5. Contrast effect:

– Some raters compare employees with each other rather than use objective standards for job performance

6. Recency:

– Some raters tend to remember only the last couple of months and base their evaluation based on the most recent events.

The Appraisal Interview

The Appraisal Interview

➢ *Giving employees the opportunity to discuss performance and performance standards*

➢ *Addressing employee strengths and areas for improvement*

➢ *Recommending strategies for improving employee performance*

➢ *Discussing personnel decisions, such as compensation, promotion, and termination*

Conducting Effective Performance Management Interviews (1/2)

1. Conduct an appraisal on an ongoing basis
2. Evaluate the frequency of a formal performance appraisal
3. Prepare for the performance appraisal
4. Use multiple sources of information
5. Encourage employee participation
6. Focus on future performance and problem solving

Conducting Effective Performance Management Interviews (2/2)

7. Focus on employee behavior and results, not personal traits

8. Reinforce positive performance

9. Ensure that performance management is supported by senior managers

10. Plan follow-up activities and pay attention to expected outcomes and timetables.

Home Assignment

DEVELOP A PERFORMANCE APPRAISAL FORM